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Executive Registry

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18 JUL 1967

Saucy
The Honorable Charles L. Schultze
Director, Bureau of the Budget
Washington, D. C. 20503

Dear Charlie:

Since sending you our preliminary thoughts on 5 July, we have given painstaking and detailed consideration to the manner in which the Agency could best absorb a 15 percent reduction in controllable programs in Fiscal Year 1968. It is my understanding that the Bureau regards all of CIA's programs as being controllable.

Before detailing the areas where cuts would be made, I would like to make two general observations on the Agency's programs. First, they are already lean; thus, cuts as large as 15 percent would have to be made by stopping or curtailing major programs. We can, if necessary, tighten our belt and defer some lower priority work and in this way reduce expenditures by perhaps as much as 2 or 3 percent. Second, the Agency's programs, by their very nature, require levels of competence which can respond to both long and short range requirements. These are not susceptible to quick stops and starts without suffering permanent damage.

The Agency's first responsibility is to produce national intelligence. You will note (see chart attached) that the Production program accounts for a relatively small portion of the Agency's budget, and any significant reduction would be incompatible with the accomplishment of our mission. In fact, if the Agency is to continue to provide adequate coverage of the Soviet Union, increase coverage of China, and provide intelligence on other areas and crisis situations, it may be necessary to increase the level of funds and personnel devoted to this program.

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Our second priority program is Collection, upon which the production program is heavily dependent. The building and maintenance of a world-wide espionage apparatus in support of U. S. foreign policy has taken years of careful planning, organizing, training and staffing, and I see no logic in reducing this effort at this time. The Soviet and Chinese threats throughout the world and frequent crises in various areas, as illustrated by recent events in the Middle East, the Congo, Nigeria, etc., serve to emphasize the necessity of maintaining and improving this unique clandestine capability.



Our Information Processing and Exploitation program is costly, attributable in large part to NPIC. This program provides essential support to both production and collection. Our automatic data processing equipment is becoming increasingly important in planning and executing technical collection programs including overhead reconnaissance, and in the extraction, analysis, and evaluation of the information collected. In fact, without this equipment it would be impossible to carry on some of our most critical and most valuable programs. With the possible exception of continuing to rent computers in FY 1968 in lieu of purchasing them, which would save \$1.5 million, I see no possibility of making any significant reduction in this area.

The program for Research, Development and Engineering consumes approximately [] of our budget. I believe that our RD&E program is soundly conceived and that the community receives a high return from funds spent in this field. If we had to take a 15 percent reduction, we could conceivably defer parts of the program in

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Remarks:

As a result of FPBC's deliberations on 6 and 7 July, the Director sent the attached letter to the Director, BOB.

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FROM: NAME, ADDRESS AND PHONE NO.

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John M. Clarke, D/PPB

7/21/67

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Remarks:

Some weeks ago the FPBC met with Col. White and discussed the matter of the response the Bureau of the Budget should receive to their request for a reduction of up to 15 percent in FY 1968-1969 expenditures. The attached letter is the response to that Bureau request and reflects the output of this consideration.

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FROM: NAME, ADDRESS AND PHONE NO.	DATE
John M. Clarke, D/PPB	8/21/67

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